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CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

DAILY DIGEST

JUL 2 1951

Date: _____

- NOTE:
1. This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence.
 2. Comments represent the preliminary views of the Office of Current Intelligence.
 3. Marginal letter indications are defined as follows:
 - "A" - items indicating Soviet-Communist intentions or capabilities
 - "B" - important regional developments not necessarily related to Soviet/Communist intentions or capabilities
 - "C" - other information indicating trends and potential developments

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SECTION 1 (SOVIET)

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"B" EASTERN EUROPE. YUGOSLAVIA. Tito Government Requests Stoppage of Strategic Metal Shipment to Czechoslovakia. The Yugoslav Government has requested that US-British authorities in Trieste and Austria stop a 150 ton railroad shipment of Yugoslav ferro-chrome, sold to a Western European firm which had rerouted the shipment to Czechoslovakia from Trieste. According to the US Political Advisor in Trieste the ferro-chrome shipment is being held in the British Zone of Austria pending a decision on its final disposition.

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COMMENT: Although Yugoslav trade with the Soviet orbit has progressively decreased since 1948 some evidence is available of the continued purchase of Yugoslav non-ferrous metals by both Czechoslovakia and Hungary.

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SECTION 2 (EASTERN)

"C" EGYPT. Farm Workers Riot. Riots over crop sharing broke out on a large estate in the middle delta (between Alexandria and Cairo). Large police reinforcements finally quieted thousands of enraged farm workers. One worker was killed, eighteen injured and considerable property damage was reported. [REDACTED] COMMENT: The Egyptian farm worker or "fellah" is one of the most oppressed and exploited of all workers in the Near East. Little has been done to ameliorate their condition. If this group should ever acquire able leadership the privileged class of wealthy landowners would be swept aside in violent revolt.

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"A" PAKISTAN. Chinese Communist Charge Arrives in Karachi. Cheng Wei-Chih, Chinese Communist Charge d'Affaires, has arrived in Karachi to open the new Chinese mission. [REDACTED] COMMENT: Chinese missions in India and Burma have been extremely active in promoting the Communist cause. In view of Pakistan's current strong efforts to curb Communism, it may be that Charge Cheng will have less freedom of action than the Chinese representatives in New Delhi and Rangoon.

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"A" BURMA. US Embassy Explains Position on Chinese Aid to Burmese Communists. In reply to a State Department query, US Embassy Rangoon states that its conclusion that the Chinese Communists are committed to assist the Burmese Communists in their insurrection [REDACTED]

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[REDACTED] Chinese support of the Burmese Communists, under the circumstances, is felt to be a normal development. The Embassy also points out that the best evidence of Burmese Communist anticipation of Chinese aid is the former's current movement from central Burma into the Sino-Burma border area. [REDACTED]

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"B" THAILAND. Comments on Recent Coup D'Etat Attempt. The release of Premier Phibun Songgram by his naval captors and his resumption of office marks the complete failure of the latest coup d'etat attempt in Thailand. It is evident that the Navy was not united in support of this effort. The police, army and air force, on the other hand, responded with unusual speed, cooperation and efficiency to smash the insurgent's main centers of concentration. While complete order may not be restored for several days and Bangkok has sustained more damage than is ordinarily the case, Phibun's position has probably been strengthened. The navy has long represented the main source of strength of anti-Phibun elements and this abortive coup will

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result in a severe curtailment of the navy's political influence. The administration may be expected to take reprisals in the form of extended control over naval affairs. Phibun, however, is now more strongly obligated than ever to Generals Phao and Phin, Deputy Director of Police and Army Commander-in-Chief, respectively. Both of these men are extremely ambitious and while Phibun's position appears to be secure for the time being, he will have to proceed with caution in distributing the spoils of office to prevent a breach between his two most powerful supporters.

"B" INDOCHINA. French and Viets Disagree on Arming Local Forces. Vietnamese Governor Chi of North Vietnam recited to US Consul Blancke the long-standing complaint that Vietnamese local security forces, the National Guard in North Vietnam, continue to be too weak to cope with the Viet Minh. French failure to provide promised weapons was blamed as the cause. Governor Chi states that the National Guard still has only 9,000 rifles for 12,000 men. On the other hand, General Linares, French Commander in North Vietnam, complained to Blancke of the lethargy of the Vietnamese authorities who would, he says, introduce military conscription if they were serious about increasing their forces. He dismissed as a mere pretext the Vietnamese claim that manpower is ample and that weapons and funds--which the French must provide--constitute the bottleneck. Blancke observes that little positive progress has been made toward an eventual military take-over by the Vietnamese, and states that it would be "interesting" to know if De Lattre is deliberately withholding the promised build-up of the National Guard.

COMMENT: Constant French-Viet recrimination on the subject of Vietnamese armed forces precludes any accurate understanding of this important issue. It is significant, however, that although earlier French objections to the National Guard (on the ground that it was a private army of the Dai Viet Party) have been invalidated by the removal of the Dai Viet from power in early March 1951, no progress has been made under the French-sanctioned Governor Chi.

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"C" PHILIPPINES. Huk Independence Day Attacks Anticipated. According to press reports, all armed forces in the Philippines have been placed on a 24-hour alert in anticipation of Huk disturbances during celebrations connected with Philippines Independence Day on 4 July.

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COMMENT: Although the Huks have in the past selected certain national holidays as the occasion for special efforts, they have never before chosen Independence Day. More recently special alerts of the Armed Forces have been sufficient to alter whatever plans the Huks may have had for accelerated attacks during holidays.

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"C" CHINA. Situation of Non-Communist Diplomats in Peiping. The Swedish Ambassador to Communist China, Mr. T. Hammarstrom, who left Peiping in mid-May, has told the US Consul General in Hong Kong that non-Communist diplomats in Peiping, with the exception of Indian Ambassador Panikkar,

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suffer from a "feeling of futility and frustration." These representatives believe that they are "operating in a vacuum without much relationship to reality," and find themselves unable to obtain any authoritative military, economic or political information. They are forced to rely on newspapers from Hong Kong "to find out what is happening in China." The diplomats are unable to see high officials of the Chinese Communist Government and the lower officials have no authority to make commitments or to dispense information; the latter are "afraid of their own shadows" and will not engage in private conversation with foreign diplomats at social gatherings.

COMMENT:

The experience of non-Communist diplomats in Peiping parallels that of Western representatives assigned to the USSR and other Soviet bloc states.

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"B" CHINA. Peiping May Tie Problem of Japanese Treaty to Korean Talks. The Political Advisor to the Hong Kong Government has told the US Consul General, Hong Kong, that he has been impressed with the amount of attention Peiping's propaganda has recently given to Japan, and that he believes a desire to prevent an early conclusion of a Japanese peace treaty by the Western powers may have been an "important motive" for Malik's cease-fire proposal.

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COMMENT: US Embassy Moscow and other observers have also suggested the possibility that Chinese and Korean Communist terms for a Korean settlement will include a demand for Sino-Korean participation in the Japanese peace treaty. Peiping's propaganda affords some basis for the belief that such a demand will be added to earlier demands relating to withdrawal of UN forces from Korea, admission of Communist China to the UN, and title to Taiwan.

"C" YU Ta-wei Reported to be New Nationalist Coordinator in Washington.

A formal announcement is expected soon of the appointment of General YU Ta-wei as head of the special mission in Washington to be created for coordinating the entire US aid program. General YU recently returned to Taiwan from the US where he had been hospitalized for over a year. A Harvard graduate, YU was director of the Army Ordnance administration for 12 years, served one year as vice-minister of war, and was Minister of Communications from 1946-48.

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The most recent indications suggest the probability of the aid coordinator assignment in Washington for YU, who has been accorded a favorable rating as an administrator in both local and foreign circles.

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"B" KOREA. Enemy May Extend Korean Air Defensive Operations. Far East Command believes that the enemy may well extend the area of air defensive operations southward to include the major portion of Communist-held Korea. FECOM bases this estimated capability on observations of enemy jet operations during the past week. Enemy jet fighter pilots displayed increasing combat efficiency and shot down one F-80 and damaged a B-29, an F-86 and an F-51. Moreover, enemy fighters on three occasions attacked UN aircraft in the immediate vicinity of Pyongyang, considerably south of their usual area of operations. Previous enemy air activity south of the Chongchon River, about 45 miles north of Pyongyang, has been limited almost entirely to night actions against UN ground installations and to a lesser extent attacks on UN aircraft in the Pyongyang area. [redacted]

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"B" JAPAN. Soviets Increase Surveillance Over Hokkaido. [redacted] an increase in surveillance and patrol by Soviet craft around the northern shore of Hokkaido, particularly in the areas of Nemuro, which is near the Kuriles, and Wakkanai, near Sakhalin. The Soviets reportedly approach the shores and turn on their searchlights. Increased seizures of Japanese fishing vessels within the authorized areas likewise are intimidating the fishermen. The Japanese Communists in Hokkaido are attempting to capitalize on the situation by propaganda to the effect that these conditions will not improve until an overall peace treaty, including the Soviet Union, is concluded. GHQ comments that the increased Soviet interest in Hokkaido possibly is connected with the staging of a US Division on the island. [redacted]

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[redacted] COMMENT: The Japanese police made a similar report about two months ago, which suggests that this is not a recent development. Such tactics may be designed both to frustrate fishing operations and to increase Japanese jitters over Japan's anti-Soviet alignment.

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SECTION 3 (WESTERN)

"C" GERMANY. Uneasiness on Schuman Plan Evident. Commenting on the recent debate on the Schuman Plan in the West German Parliament's Upper House, US officials in Bonn note an undercurrent of uneasiness in all German quarters, stemming from the feeling that Germany might get too far ahead of other participants in the ratification of the Plan, and that Allied commitments to remove certain economic controls after the Plan is in operation might not be honored completely. There are hints in the local press that the Germans suspect the British of dragging their feet in the current discussions on the dissolution of the Ruhr Authority. The Upper House, after its debate, took the unusual step of postponing its final action on the Schuman Plan, meanwhile stating that, prior to final ratification, a binding promise should be made by the Allies that control groups such as the Ruhr Authority would be eliminated at the time the Schuman Plan begins operating. The government still plans to have the Lower House consider the Plan before its summer recess begins on 15 July. [REDACTED]

[REDACTED] COMMENT: It now appears certain that ratification of the Schuman Plan will not take place at least until after the Parliament's summer recess. Local problems, such as the removal of economic controls, the Saar situation, and the active Social Democratic opposition to the Plan, are still likely to complicate the ratification procedure.

"B" FRANCE. US Policy Toward French Rearmament is Viewed with Alarm by US Paris Officials. Ambassador Harriman's and General Bradley's recent talks in Paris with French Defense Minister Moch have hastened the French Cabinet's re-examination of its tentative rearmament plans, but US Embassy Paris and the ECA French Mission doubt whether present contradictory Washington policies on this subject will permit them to assist the French in their task. Furthermore, the "confusion" in the US and French administrations has already led to serious misunderstandings and to a sharp deterioration in the mutual confidence necessary for obtaining the desired level and effectiveness of French defense strength. The Embassy and the Mission believe that US and NATO security interests require the broad execution of the following tasks as projected by the French: (1) prosecution of the war in Indochina with adequate means (a French "open-end commitment"); (2) support for NATO bases ("infrastructure") on French soil; (3) provision by the summer of 1954 of 28 divisions on inactive or immediately mobilizable status; (4) increase in forces on active status from 850,000 (including 165,000 in Indochina) at the end of 1951 to 1,000,000 by the end of 1953, with a mobilizable reserve of about 2,000,000 and the necessary increase in materiel. Washington's "feasibility target" of \$3.2 billion for the 1952 French military budget, however, would barely cover payments on the projects now underway and would probably mean a delay of 18 to 24 months in France's Medium-Term Defense Program (MTDP). Meanwhile, US officials are not only aware of the French estimate that a 1952 budget of about

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\$4 billion will be necessary for that program, but some are urging France to undertake expenditures (for example, for real wage increases, low-cost housing) not included in even that figure. The Embassy and the ECA Mission, in recommending a "consistent" set of policies toward French rearmament, urge both a firm US commitment of a definite credit to be available for the calendar year, and US support for a "real integration" of Europe's rearmament effort. Otherwise, according to the US officials in Paris, "it is obvious" that the French nation "may be reluctant" to carry the MTDP burden over a number of years on a purely national basis. If social and political difficulties did not prevent them from doing so, continuous depreciation of the franc would have this effect.

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"C" AUSTRIA. Communists Said to Plan New, Sudden Action.

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Factory and district leaders of the Austrian Communist Party (KPOe) in Floridsdorf, a suburb of Vienna, have agreed that they must "follow a new plan" and take "sudden and unexpected action" after the anticipated fifth wage-price agreement is announced. At a 15 June meeting, the party leaders declared that the forthcoming wage-price pact affords the Austrians possibly their last chance for liberation from the capitalist yoke, and stated that the Austrians are no longer struggling alone, but with the help of their Russian comrades and the progressive forces. The factory leaders are charged with training workers in street demonstrations.

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COMMENT: The warning of "sudden and unexpected action", is believed to be an empty boast. Although the KPOe may stage demonstrations when the new wage-price agreement is announced (negotiations are presently being delayed), the party is not likely to find much support among the workers, and its capabilities for seriously disrupting the economy are quite limited.

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"C" ITALY. Communist Attack on Italo-US Base Agreement Ineffective. The Communists (PCI) and their Nenni Socialist (PSI) allies are intensifying their press campaign against the Italo-US agreement for the use of the port of Leghorn as a supply base for US forces in Austria and against the selection of Naples as headquarters for US Admiral Carney, newly appointed NATO Commander of Allied Forces in Southern Europe. They bitterly assail the government for its "criminal irresponsibility" in providing US troops with a port through which they will pass to "bases of attack against Eastern Europe" and, thereby, increasing the danger of Italy's involvement in war. In a stormy Senate session nearly all the PCI and PSI members rose to denounce what they called the government's violation of its NATO pledge that no Italian city would become a US military base. A motion charging that the government's "cession of Leghorn and other Italian localities to American military forces...makes Italy responsible for the American policy of imperialistic domination", and declaring the senate's decision to refuse adherence to the government's "policy of enslavement to the US" was presented.

COMMENT: The Communists will use the Leghorn-Naples

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situation in an effort to bolster their peace campaign but will not be able significantly to increase the latter's popular appeal. The PCI is unlikely to call protest strikes in view of the mounting opposition to such strikes on the part of workers and the public. The strength of the pro-government bloc in both houses of Parliament ensures the defeat of such extreme leftist motions as the one described above.

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"C" UNION OF SOUTH AFRICA. Union Presents UN with New Proposal on Southwest Africa. The South African representative at the General Assembly's Ad Hoc Committee on Southwest Africa offered on 27 June to negotiate a new international agreement with the UK, the US and France concerning Southwest Africa. He repeated the Union's contention that the mandate of the former League of Nations has lapsed and therefore South Africa has no international responsibility for the administration of the former German colony. Nevertheless, South Africa desires a satisfactory solution of the question by agreement with the three powers remaining of those which originally assigned the territory to the Union as a mandate. [REDACTED]

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COMMENT: Through this novel proposal the Union hopes to reduce the opportunity for criticism in the UN by the vigorously anti-colonial members, whose attacks have marred the Union's reputation abroad. The Union has not only rejected all efforts of the UN to establish any authority over the territory, but under the Nationalist Government has proceeded with the integration of Southwest Africa into the Union. Irrespective of the outcome of the discussions, the Union will maintain its control unfettered by outside interference.

"B" PANAMA. Government to Cancel Registration of Ships Destined for North Korean or Chinese Communist Ports. The Panamanian Foreign Office has advised that the registration of a Panama flag vessel, which was involved in transshipment in violation of the UN embargo, has been canceled. The

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Foreign Office promised that the US Consul General in Calcutta would be authorized to pick up and hold for Panamanian Government action the registration of any Panamanian flag vessels which may in the future call at Calcutta on the way to a North Korean or Chinese Communist port. The Panamanian Government is now considering a public announcement that its registration will be withdrawn from any ship destined for one of the above ports. COMMENT: In view of the large number of vessels which have registered in Panama, Panamanian support is essential to the effectiveness of the UN embargo. Withdrawal of registry is the only penalty which the Panama Government is capable of enforcing. The promptness of action in this instance indicates a high degree of cooperativeness on the part of the new Arosemena administration.

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2 July 1951

SECTION 1 (SOVIET)

"A" YUGOSLAVIA. Western Officials Observe No Alarming Yugoslav Activity Regarding Albania. US Ambassador Allen in Belgrade reports that his British and French colleagues concur with his opinion that Yugoslavia is not currently instigating any pro-Tito moves in Albania and that the Tito Government is keenly aware of the danger of provoking a situation which might invite Soviet intervention. Allen advises that, if a demarche to the Yugoslav Government on its Albanian political activity is still considered advisable, it should be framed in a general statement that the US opposes all foreign adventures in Albania. Allen expresses the opinion that nothing would arouse Yugoslav sensibilities, or discourage Albanian resistance more than the implication that Soviet control would be supplanted by some other foreign influence.

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SECTION 3 (WESTERN)

"A" GERMANY. Ulbricht Proposal for International Commission to Investigate German Remilitarization Not Considered Official Soviet Move. The 9 June proposal of East German Premier Walter Ulbricht that an international commission be sent to investigate remilitarization in both East and West Germany has not been reported in the USSR press. US Embassy Moscow comments that this press silence lends support to the thesis that the Kremlin does not consider the Ulbricht plan an auspicious move. The Embassy points out, however, that the proposal could be revived at any time and recommends that in this event Allied countermoves

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should stress not only the fraudulent nature of the Ulbricht proposal, but also the willingness of the Allies to hold a genuine unbiased investigation. [REDACTED] COMMENT: The Ulbricht proposal was allegedly contained in a letter to the East German Peace Committee, which led to the suspicion in the West that the World Peace Council might officially seek to sponsor such an investigation. However, the Peace Partisans have not widely publicized this idea, nor has it received much attention in East German propaganda. Under the circumstances, it is quite likely that Ulbricht made the proposal without prior clearance and that the idea was dropped after the USSR failed to express any enthusiasm over it.

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